

**AUDITED FINANCIAL STATEMENTS  
AND OTHER FINANCIAL INFORMATION**

**RILEY COUNTY POLICE DEPARTMENT**

**December 31, 2011**

Reese & Novelly, P.A.  
*Certified Public Accountants*  
Manhattan, Kansas

## **Audited Financial Statements and Other Financial Information**

### **RILEY COUNTY POLICE DEPARTMENT**

**Year Ended December 31, 2011**

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## INDEPENDENT AUDITORS' REPORT

Riley County Law Enforcement Agency Board  
Manhattan, Kansas 66502

We have audited the accompanying financial statements of Riley County Police Department (Department) as of and for the year ended December 31, 2011 as listed in the table of contents. These financial statements are the responsibility of the Department's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Kansas Municipal Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

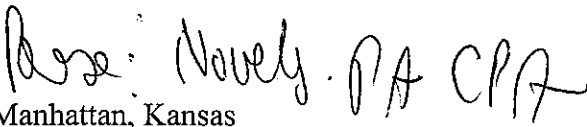
As described more fully in Note A, the Department has prepared these financial statements using accounting practices prescribed or permitted by the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Department, as of December 31, 2011, the changes in its financial position, for the year then ended. Further, the Riley County Police Department, Manhattan, Kansas, has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of each fund of the Department, as of December 31, 2011, and their respective cash receipts and expenditures, and budgetary results for the year there ended, on the basis of accounting described in Note A.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2012 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary financial information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information, except for the portion marked "Unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole. The schedule of fixed assets, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

  
Manhattan, Kansas  
June 7, 2012

## **FINANCIAL STATEMENTS**

**SUMMARY OF CASH RECEIPTS, EXPENDITURES AND  
UNENCUMBERED CASH (STATEMENT 1)**

**RILEY COUNTY POLICE DEPARTMENT**

**Year Ended December 31, 2011**

	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances
General	\$ 1,248,570	\$
Special Revenue:		
Emergency Reserve Fund	700,000	
Seizure Fund	170,622	
Activity Fund	1,766	
Bears on Patrol	3,484	
Auxiliary Fund	6,642	
Jail Literacy Fund	135	
Statutory Registration Fund	20,315	
Justice Assistance Grant	8,211	
Medical Reimbursement Fund	531,467	
TOTAL SPECIAL REVENUE	1,442,642	-
TOTAL REPORTING ENTITY	\$ 2,691,212	\$ -

See notes to financial statements.

Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
<u>\$ 15,833,923</u>	<u>\$ 15,973,263</u>	<u>\$ 1,109,230</u>	<u>\$ 498,025</u>	<u>\$ 1,607,255</u>
		700,000		700,000
55,300	53,878	172,044		172,044
10,662	7,831	4,597		4,597
		3,484		3,484
880	4,989	2,533		2,533
30	28	137		137
13,565	6,406	27,474		27,474
1,057	9,268	-		-
123,175	66,830	587,812		587,812
204,669	149,230	1,498,081	-	1,498,081
<u>\$ 16,038,592</u>	<u>\$ 16,122,493</u>	<u>\$ 2,607,311</u>	<u>\$ 498,025</u>	<u>\$ 3,105,336</u>

Composition of Cash:

Checking accounts	\$ 795,855
Funds held by Riley County Treasurer	2,299,884
Petty cash funds	9,597
Special cash seizures	4,240
Fees account	4,240
Inmate account	5,130
	<u>3,118,946</u>
	TOTAL CASH
Agency Funds per Statement 4	<u>(13,610)</u>
TOTAL REPORTING ENTITY (EXCLUDING AGENCY FUNDS)	<u>\$ 3,105,336</u>

**SUMMARY OF EXPENDITURES - BUDGET AND ACTUAL  
BUDGETED FUNDS ONLY (STATEMENT 2)**

**RILEY COUNTY POLICE DEPARTMENT**

**Year Ended December 31, 2011**

	<u>Certified Budget</u>	<u>Adjustment for Qualifying Budget Credit</u>
Governmental Fund Types:		
General	\$ 15,955,400	\$ 394,478

See notes to financial statements.



<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Favorable (Unfavorable) Variance</u>
\$ 16,349,878	\$ 15,973,263	\$ 376,615

**STATEMENT OF CASH RECEIPTS AND EXPENDITURES  
BUDGET AND ACTUAL  
GENERAL FUND - (STATEMENT 3)**

**RILEY COUNTY POLICE DEPARTMENT**

**Year Ended December 31, 2011**

	Budget	Actual	Favorable (Unfavorable) Variance
Cash Receipts:			
Taxes:			
City of Manhattan	\$ 12,321,888	\$ 12,321,888	\$ -
Riley County	3,080,472	3,080,472	-
TOTAL TAXES	15,402,360	15,402,360	-
Intergovernmental Revenue:			
Grants		58,691	58,691
Charges for services:			
Contract revenues		66,191	66,191
Restitution		4,389	4,389
TOTAL CHARGES FOR SERVICES	-	70,580	70,580
Miscellaneous:			
Commissions		5,641	5,641
Reimbursement		283,293	283,293
Copy fees	12,019	13,358	1,339
TOTAL MISCELLANEOUS	12,019	302,292	290,273
TOTAL CASH RECEIPTS	15,414,379	15,833,923	419,544
Expenditures:			
Personnel and employee benefits	14,032,775	13,397,457	635,318
Contractual services and other charges:			
Utilities	207,000	250,967	(43,967)
Insurance	280,000	197,056	82,944
Professional fees	40,000	48,391	(8,391)
Education/training/travel	80,000	109,401	(29,401)
Prisoner food & care	156,000	175,135	(19,135)
Community service	5,000	2,668	2,332
Other contractals	254,000	398,230	(144,230)
Vehicle materials and supplies	235,000	266,901	(31,901)

See notes to financial statements.

**STATEMENT OF CASH RECEIPTS AND EXPENDITURES  
BUDGET AND ACTUAL  
GENERAL FUND - (STATEMENT 3)**

**RILEY COUNTY POLICE DEPARTMENT**

**Year Ended December 31, 2011**

	Budget	Actual	Favorable (Unfavorable) Variance
Expenditures - continued			
Uniforms and accessories	55,000	84,899	(29,899)
Office supplies	47,125	38,941	8,184
Replenishment supplies	30,000	61,421	(31,421)
Other materials and supplies	7,000	13,384	(6,384)
Maintenance and repairs	160,500	236,946	(76,446)
 TOTAL CONTRACTUAL SERVICES AND OTHER CHARGES	 1,556,625	 1,884,340	 (327,715)
Capital outlay:			
Communications equipment	13,000	89,676	(76,676)
Guns and crime equipment	43,000	110,502	(67,502)
Office furniture	10,000	71,077	(61,077)
Office equipment	100,000	322,649	(222,649)
Motor vehicles	200,000	218,137	(18,137)
Grant reserves and contingencies			
 TOTAL CAPITAL OUTLAY	 366,000	 812,041	 (446,041)
Transfers out		(120,575)	120,575
Qualifying budget credits	394,478		394,478
 TOTAL EXPENDITURES	 16,349,878	 15,973,263	 376,615
 Receipts over (under) expenditures	 (935,499)	 (139,340)	 796,159
Beginning Unencumbered Cash Balance	935,499	1,248,570	313,071
 Ending Unencumbered Cash Balance	 \$ -	 \$ 1,109,230	 \$ 1,109,230

See notes to financial statements.

**STATEMENTS OF CASH RECEIPTS AND EXPENDITURES  
NON-BUDGETED SPECIAL REVENUE FUNDS (STATEMENT 3)**

**RILEY COUNTY POLICE DEPARTMENT**

**Year Ended December 31, 2011**

	Emergency Reserve Fund	Seizure Fund	Activity Fund	Bears on Patrol
Cash Receipts:				
Grants	\$	\$	\$	\$
Seizures		53,825		
Licenses, permits and fees				
Interest		1,475		
Commissions			6,577	
Donations			1,956	
Miscellaneous			2,129	
Transfers				
<b>TOTAL CASH RECEIPTS</b>	<b>-</b>	<b>55,300</b>	<b>10,662</b>	<b>-</b>
Expenditures:				
Personnel and employee benefits				
Contractuals and other charges		36,078	7,591	
Materials and supplies		145	240	
Capital outlay		17,655		
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>53,878</b>	<b>7,831</b>	<b>-</b>
Receipts over (under) expenditures		1,422	2,831	
Beginning unencumbered cash balance	700,000	170,622	1,766	3,484
Ending Unencumbered Cash Balance	<u>\$ 700,000</u>	<u>\$ 172,044</u>	<u>\$ 4,597</u>	<u>\$ 3,484</u>

See notes to financial statements.

<u>Auxiliary Fund</u>	<u>Jail Literacy Fund</u>	<u>Statutory Fund</u>	<u>Justice Assistance Grant</u>	<u>Medical Reimbursement Fund</u>
\$	\$	\$	\$ 1,026	\$
		13,473 92	31	2,600
880	30			
				120,575
<u>880</u>	<u>30</u>	<u>13,565</u>	<u>1,057</u>	<u>123,175</u>
				66,830
578 4,411	28	6,406	9,268	
<u>4,989</u>	<u>28</u>	<u>6,406</u>	<u>9,268</u>	<u>66,830</u>
(4,109)	2	7,159	(8,211)	56,345
<u>6,642</u>	<u>135</u>	<u>20,315</u>	<u>8,211</u>	<u>531,467</u>
<u>\$ 2,533</u>	<u>\$ 137</u>	<u>\$ 27,474</u>	<u>\$ -</u>	<u>\$ 587,812</u>

**SUMMARY OF CASH RECEIPTS, CASH DISBURSEMENTS AND UNENCUMBERED  
CASH - AGENCY FUNDS - (STATEMENT 4)**

**RILEY COUNTY POLICE DEPARTMENT**

**Year Ended December 31, 2011**

	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
<u>FUNDS</u>				
Tax and Fees Account	\$ 3,882	\$ 16,790	\$ 16,433	\$ 4,239
Special Cash Seizure Fund	28,293	82	24,134	4,241
Inmate fund	25,387	203,100	223,357	5,130
TOTAL AGENCY FUNDS	<u>\$ 57,562</u>	<u>\$ 219,972</u>	<u>\$ 263,924</u>	<u>\$ 13,610</u>

See notes to financial statements.

## NOTES TO FINANCIAL STATEMENTS

### RILEY COUNTY POLICE DEPARTMENT

December 31, 2011

#### NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Riley County Police Department (Department) was chartered January 1, 1974, and operates as a municipal corporation governed by the Riley County Law Enforcement Agency Board. The board consists of seven board members: one Riley County, Kansas (County) commissioner, one City of Manhattan, Kansas (City) commissioner, one appointed member from the County, two appointed members from the City and one alternate appointed member from either the City or the County and the Riley County Attorney. The accounting policies of the Department conform to the cash-basis and budget laws of Kansas (statutory basis). The following is a summary of the more significant policies:

1. Financial Reporting Entity: The financial reporting entity of the Department is comprised of the primary government.

The basic criterion for including a separate governmental entity in the Department's financial reporting entity is the financial accountability of the Department for the separate entity. The Department is financially accountable if it appoints a voting majority of a component unit's governing body and if it either has the ability to impose its will on the component unit or there is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government. There were no component units.

2. Fund Accounting: The accounts of the Department are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into generic fund types and broad fund categories as follows:

##### *Governmental Funds*

The General Fund is the general operating fund of the Department. It is used to account for all financial resources except those that are required to be accounted for in another fund.

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

##### *Fiduciary Funds*

Trust and Agency Funds are used to account for assets held by the Department in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds.

## NOTES TO FINANCIAL STATEMENTS

### RILEY COUNTY POLICE DEPARTMENT

December 31, 2011

3. Basis of Presentation: The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and the expenditure would be charged in the fund from which the transfer is made.

The Department has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the statutory basis of accounting.

Departure from Generally Accepted Accounting Principles: The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown non-cash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as reservation of fund balance; encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the Department are not presented in the financial statements. Also, long-term debt such as general obligation bonds, temporary notes, and compensated absences are not presented in the financial statements.

4. Budgetary Information: Kansas statute, K.S.A. 19-4443 require that an annual operating budget be submitted to the Board of County Commissioners of Riley County and to the governing bodies of each incorporated city within the County. K.S.A. 19-4443 and K.S.A. 79-2929 provide for the following sequence and time table in the preparation and submission of the budget:
  - a. Not less than 10 days prior to submitting such budget, the Department shall hold a hearing thereon in accordance with the provisions of K.S.A. 79-2929, and amendments thereto. K.S.A. 79-2929 states that the governing body shall give at least 10 days notice of the time and place of the meeting by publications in a weekly or daily newspaper.
  - b. Submission of budget to Board of County Commissioners and to the governing bodies of incorporated cities within the county must be completed on or before the first Monday in July of each year.



## NOTES TO FINANCIAL STATEMENTS

### RILEY COUNTY POLICE DEPARTMENT

December 31, 2011

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the statutory basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the Department for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for the following special revenue funds:

- Seizure fund
- Emergency reserve fund
- Activity fund
- Bears on Patrol
- Auxiliary Fund
- Special Donation Funds
- Medical reimbursement fund
- Statutory Fees

Spending in funds, which are not subject to the legal annual operating budget requirement, is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

5. Reimbursements: A reimbursement is an expenditure or expense initially made in one fund, but properly attributable to another fund. For example, it is common for the general fund to pay a vendor's bill and have portions of it reimbursed by other funds. In accounting for such reimbursements, the Department records an expenditure (or expense) in the reimbursing fund, and a reduction of expenditures (or expense) in the reimbursed fund, following the authoritative guidance of the *Governmental Accounting, Auditing and Financial Reporting*.

## NOTES TO FINANCIAL STATEMENTS

### RILEY COUNTY POLICE DEPARTMENT

December 31, 2011

6. Property Tax: The Riley County Clerk calculates the final tax levy rates necessary to finance the budget subject to any legal limitations. After all budgets have been received and tax rates calculated, the clerk certifies the tax roll to, and prepares tax statements for, the County Treasurer who receives payment. Delinquent tax collections are distributed throughout the year at the County level distributed to the County and City.
7. Compensated Absences: The Department has a policy regarding paid earned time, sick leave and compensatory absences. Earned time is accounted for in a leave bank which includes but does not differentiate between holiday, personal days, and vacation. Sick leave, injury leave, administrative leave, and compensatory time are not included in the leave bank. The Department allows employees to accumulate a maximum of 320 to 488 hours of earned time. Upon termination or resignation from service with the Department, employees are entitled to payment of all accrued time accounted for in the leave bank earned prior to termination or resignation. All employees earn and accumulate sick leave at the rate of one working day for each month of service with a maximum carryover of 1,120 hours.

Upon retirement or resignation the Department will pay an employee, having completed twenty years of service and leaving in good standing, an amount equal to fifty percent of the employee's accumulated hours of sick leave at the time of retirement or resignation. An employee with less than twenty years of service and leaving in good standing will receive an amount equal to thirty-three and a third percent of their accumulated hours upon separation.

If all conditions are met, the employee will be compensated in accordance with the personnel regulations. As of December 31, 2011, accumulated earned leave, sick leave and compensatory absences due is:

Leave bank	\$ 1,130,333
Sick leave	803,757
Compensatory time	64,875
Payroll taxes	152,921
Balance at 12/31/2011	<u>\$ 2,151,886</u>

#### NOTE B—DEPOSITS

As of December 31, 2011, the Department has no investments.

K.S.A. 9-1401 establishes the depositories which may be used by the Department. The statute requires banks eligible to hold the Department's funds have a main or branch bank in the county in which the Department is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Department has no other policies that would further limit interest rate risk.

## NOTES TO FINANCIAL STATEMENTS

### RILEY COUNTY POLICE DEPARTMENT

December 31, 2011

K.S.A. 12-1675 limits the Department's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Department has no investment policy that would further limit its investment choices. As noted above, the Department currently does not have any investments and therefore does not have a rating.

*Concentration of credit risk:* State statutes place no limit on the amount the Department may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

*Custodial credit risk – deposits:* Custodial credit risk is the risk that in the event of a bank failure, the Department's deposits may not be returned to it. State statutes require the Department's deposits in financial institutions to be entirely covered by federally depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. All deposits were legally secured at December 31, 2011.

At December 31, 2011, the carrying amount of the Department's deposits, including certificates of deposit, was \$3,118,946 and the bank balance was \$1,324,561. Funds held by the Riley County Treasurer and Keating & Associates amounted to \$2,299,884 and \$4,000, respectively. The difference between the carrying amount, exclusive of funds held by the Riley County Treasurer and Keating & Associates, and the bank balance is outstanding checks and deposits in transit. The bank balances were held by two banks which does not result in a concentration of credit risk. Of the bank balance, \$510,923 was covered by federal depository insurance and remaining \$813,638 was collateralized with pledged securities held under joint custody receipts issued by a third-party bank in the Department's name. The funds held by the County Treasurer are included as agency funds in Riley County's financial statements, and the risk categories are disclosed in those statements.

*Custodial credit risk – investments:* For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the Government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

#### NOTE C—DEFINED BENEFIT PENSION PLAN

The Department participates in the Kansas Public Employees Retirement System (KPERs) and the Kansas Police and Firemen's Retirement System (KP&F). Both are cost-sharing multiple-employer defined benefit pension plans as provided by K.S.A. 74-4901, *et seq.* KPERs and KP&F provide retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERs and KP&F issue a publicly available financial report (only one is issued) that includes financial statements and required supplementary information. That report may be obtained by writing to KPERs (611 S Kansas, Suite 100, Topeka, KS 66603-3925) or by calling 1-888-275-5737.

## **NOTES TO FINANCIAL STATEMENTS**

### **RILEY COUNTY POLICE DEPARTMENT**

**December 31, 2011**

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at four percent and six percent (non school tier 2) of covered salary. K.S.A. 74-4975 establishes KP&F member-employee contribution rate at seven percent of covered salary and two percent. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS and KP&F are funded on an actuarial reserve basis. State law sets a limitation on annual increases in the employer contribution rates.

The KPERS employer contribution rate established by statute for January 1, 2011 thru December 31, 2011 was 6.74 percent. The employer insurance contribution rate for the same period was 1 percent. The state issued a moratorium on employer's insurance contribution from April 1, 2011 thru June 30, 2011 and the 1 percent was not paid. The Department's employer contributions to KPERS for the years ending December 31, 2011, 2010, and 2009, were \$269,320, \$221,447, and \$173,988, respectively, equal to the required contributions for each year.

The KP&F employer rate established for the calendar year beginning in 2011 was 14.57 percent. Employers participating in KP&F also make contributions to amortize the liability for past service costs, if any, which is determined separately for each participating employer. The Department's employer contributions to KP&F for the years ending December 31, 2011, 2010, and 2009 were \$982,422, \$775,293, and \$752,234, respectively, equal to the required contributions for each year.

#### **NOTE D—DEFERRED COMPENSATION**

The Department participates in an Employees' Deferred Compensation Plan, as authorized by K.S.A. 75-5529a and 75-5529b and created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time department employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The Department is not responsible for any loss incurred by an employee under the Department's deferred compensation plan. All conditions of the plan shall be controlling.

#### **NOTE E—MEDICAL REIMBURSEMENT PLAN**

In the summer of 2003 the Department established a Medical Reimbursement Fund (a Special Revenue Fund) to account for and finance its medical reimbursement plan. Due to the increased costs of health insurance premiums the Department found it advantageous to purchase a commercial insurance policy for all full-time employees with a higher deductible, and then use the funds in the Medical Reimbursement Fund to pay for fifty percent of the employee's deductible that is incurred each year. The Department contracts with Keating & Associates to provide administrative services. A single health insurance premium includes a \$2,500 deductible in 2011 and 2010. Under this medical reimbursement plan the employee is then allowed to turn in any amounts paid for the deductible and be reimbursed fifty percent of the deductible. During the 2011 and 2010 years,

## NOTES TO FINANCIAL STATEMENTS

### RILEY COUNTY POLICE DEPARTMENT

December 31, 2011

approximately 166 and 166 employees, respectively, qualified and participated in the plan, therefore the Department had the potential to pay out approximately \$207,500 in both 2011 and 2010. The total claims paid in 2011 and 2010 were \$66,982 and \$44,262.

#### NOTE F—OTHER POST EMPLOYMENT BENEFITS

As provided by K.S.A. 12-5040, the Department allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the local government is subsidizing the retirees because each participant is charged a level premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the government makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the Department under this program.

#### NOTE G—COMMITMENTS AND CONTINGENCIES

Risk Management: The Department is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees and natural disasters. The Department manages these various risks of loss through commercial insurance with varying deductibles. All deductibles are \$10,000 or less. Insurance claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

##### Pending Litigation

The Department is a defendant in several lawsuits. The ultimate outcome of such litigation is uncertain. Management and legal counsel are also uncertain of any economic impact to the Department.

#### NOTE H— TRANSFERS

The Law Board approved the following operating transfers:

FROM	TO	Statutory Authority	Amount
General Fund	Medical Reimbursement	KSA 12-1674	\$ 120,575

#### NOTE I—MANAGEMENT’S REVIEW OF SUBSEQUENT EVENTS

In preparing these financial statements, the Department has evaluated events and transactions for potential recognition or disclosure through June 7, 2012, the date the financial statements were available to be issued.

## **SUPPLEMENTARY FINANCIAL INFORMATION**

## SCHEDULE A - COMPOSITION OF ENDING CASH BALANCES

### RILEY COUNTY POLICE DEPARTMENT

Year Ended December 31, 2011

#### RILEY COUNTY POLICE DEPARTMENT

Checking accounts:

Kansas State Bank -Main Checking Account	\$	457	
Kansas State Bank - Special activity		16,644	
Kansas State Bank - Medical reimbursement		583,812	
Keating & Associates - Medical reimbursement		4,000	
Kansas State Bank- Statutory Account		27,474	
Kansas State Bank - Drug seizure		163,468	795,855

Funds held by Riley County Treasurer 2,299,884

Petty cash funds:

Investigation fund	8,575		
Record drawer	80		
Petty cash	942	9,597	3,105,336

#### SPECIAL CASH SEIZURE FUND

Checking accounts:

Kansas State Bank		106	
Kansas State Bank		101	
Kansas State Bank		4,033	4,240

#### FEES ACCOUNT FUND

Checking account:

Landmark National Bank			4,240
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#### INMATE FUND

Checking accounts:

Landmark National Bank		4,748	
Cash on hand		342	
Petty cash		40	5,130

#### TOTAL CASH BALANCES

\$ 3,118,946

See independent auditors' report.

**SCHEDULE B - SCHEDULE OF FIXED ASSETS - (UNAUDITED)****RILEY COUNTY POLICE DEPARTMENT****December 31, 2011**

The Department's fixed assets are used in the performance of general departmental operations. Fixed asset valuations are based partially upon original cost. Depreciation of fixed assets is not recognized. The value of the assets obtained through donation or seized property is not recognized as income on the financial statements until the asset is sold.

The summary of fixed asset additions for the year ended December 31, 2011 is as follows:

	General	Seizure	Revenue Source	
	Fund	Fund	Federal	Total Additions
			Revenue	
Communications equipment	\$ 66,153			\$ 66,153
Guns and crime equipment	52,168		6,023	58,191
Furniture	35,146			35,146
Office equipment	136,081		3,230	139,311
Motor vehicles	181,240			181,240
Other				
<b>TOTAL ADDITIONS</b>	<b>\$ 470,788</b>	<b>\$ -</b>	<b>\$ 9,253</b>	<b>\$ 480,041</b>

	Balance, January 1, 2011	Additions	Disposals	Balance, December 31, 2011
Communications equipment	\$ 385,648	\$ 66,153	\$ (6,053)	\$ 445,748
Guns and crime equipment	885,992	58,191	(85,977)	858,206
Furniture	101,423	35,146	(2,700)	133,869
Office equipment	1,425,517	139,311	(132,121)	1,432,707
Motor vehicles	1,561,311	181,240	(145,021)	1,597,530
Miscellaneous	11,385			11,385
<b>TOTAL FIXED ASSETS</b>	<b>\$4,371,276</b>	<b>\$ 480,041</b>	<b>\$ (371,872)</b>	<b>\$ 4,479,445</b>

A summary of the financing sources of fixed assets at December 31, 2011 is as follows:

General fund	\$ 3,122,963
Seizure fund (special revenue)	319,189
Federal revenues	960,235
State revenues	654
Seized/donated/cc/non-government	76,404
<b>TOTAL ASSETS BY</b>	
<b>REVENUE SOURCE</b>	<b>\$ 4,479,445</b>

Unaudited



## **GOVERNMENTAL AUDITING STANDARDS**



**REESE & NOVELLY, P.A.**

Certified Public Accountants

*Rick I. Reese, CPA  
Nicholas J. Novelly, CPA  
Carol E. McCullough, CPA*

*Annette D. Fiedler, CPA  
Patricia E. Ungebeuer, CPA  
Melanie L. Tuttle, CPA  
Abbie R. Stierly, CPA*

**REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT  
AUDITING STANDARDS***

Riley County Law Enforcement Agency Board  
Manhattan, Kansas 66502

We have audited the accompanying financial statements of Riley County Police Department (Department), as of and for the year ended December 31, 2011, and have issued our report thereon dated June 7, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Kansas Municipal Audit Guide*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Department's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over financial reporting.

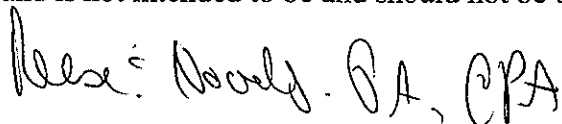
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the Department's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of Law Board, management, federal awarding agencies, and pass-through entities, and other parties designated by the governing body, and is not intended to be and should not be used by anyone other than these specified parties.

Alex Novak, BA, CPA

Manhattan, Kansas  
June 7, 2012